

## City of Riverside Community Profile

Riverside is a rapidly growing city of 259,738 that currently ranks 6<sup>th</sup> largest city in Southern California and 11<sup>th</sup> largest city in California. Riverside's annual growth rate in 2000 was 2.2 percent. The City is home to four internationally recognized colleges and universities with a current student population of over 37,000, including the prestigious University of California, Riverside, with an expanding student population of over 13,000. Riverside is a large and diverse economy with the Inland Empire's largest number of businesses and total jobs. The City is located 57 miles east of Downtown Los Angeles and is centrally placed within a short distance from the Coachella Valley, San Bernardino Mountains, Southern California beaches, and Ontario International Airport. Incorporated in 1883, Riverside is a unique blend of historic charm and modern city features. The community is rich in history, art and culture, and its residents enjoy excellent ballet, symphony, art, museums, theater and the Citrus State Historic Park. Riverside public schools are among the Inland Empire's finest.

Riverside's vibrant downtown, anchored by the historic Mission Inn, has earned a reputation as the "Downtown of the Inland Empire." It is home to a many state government offices, the Riverside County Administrative Center and a legal complex consisting of county, state and federal courts. The city is an important financial and professional center with numerous legal, accounting, brokerage, architectural, engineering, software firms, and banking

institutions with holdings exceeding \$3 billion in total deposits.

The largest single entity employers within the city include: Riverside Unified School District, 2,924; the University of California, Riverside, 2,800; City of Riverside, 2,642; Pacific Bell, 1,800; Kaiser Permanente, 1,700; The Press Enterprise Co., 1,300; Alvord Unified School District, 1,200; Riverside Community Hospital, 1,053; Riverside Medical Clinic, 700; and SB Communications, 625.

Riverside's diverse manufacturing base includes sectors such as electrical instruments, plastics, wood and metal fabrication, food processing and recreational vehicles. Technology and manufacturing companies are supported by higher educational institutions offering specialized training, research partnerships and a high-tech environment at the University Research Park. Businesses benefit from excellent freeways, rail access, high-speed fiber optic telecommunications, reasonable land and building costs, city-owned electrical and water systems, and a large general aviation airport. The City's prime industrial land is located within redevelopment or enterprise zones that offer tax incentives to expanding eligible companies.

Riverside is a city with historic roots, a progressive outlook, and a tradition of quality civic leaders committed to maintaining a diversified economy, balanced land uses, quality developments, and cultural amenities.

### Population

Population, 2000	259,738
Population, 2001	265,684
Population growth, 2000-2001	5,946
Population growth percent, 2000-2001	2.3%

### Assessed Valuation

Assessed valuation, FY 01-02	\$12,883,584,802
Assessed valuation per capita, FY 01-02	\$48,492

### City Facts

Year of incorporation	1883
Square miles	77.7
Population per mile	3,419.36
Single family detached homes, 2000	54,485

### Income

Total personal income, 2001	\$5,950,000,000
Median Income, 2001	\$51,040

**Retail Sales**

Taxable sales, 00/01	\$3,291,197,000
Taxable sales per capita, 1999	\$12,388

**Financial Deposits**

Total financial deposits, 2000	\$3,097,000,000
Financial deposits per capita, 2000	\$11,826

**Existing Home Sales**

Existing home sales, 4 <sup>th</sup> Quarter 2001	5,358
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**New Home Sales**

New home sales, 4 <sup>th</sup> Quarter 2001	1105
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**Existing Home Prices**

Existing home median price, 4 <sup>th</sup> Quarter 2001	\$164,955
Existing home price change, '00-01	15.4%

**New Home Prices**

New home median price, 4 <sup>th</sup> Quarter 2001	\$272,622
New home price change, '00-01	21.1%

The City of Riverside's fiscal year begins each July 1 and concludes on June 30. In accordance with creating an open form of government, the budget process begins and ends with community input. Departments are provided citizen input through the Annual Citizen Survey, Mayor's Night Out, public hearings and other forms of written and oral communication.

**Budget Kickoff**

The Budget kickoff begins in mid September. In attendance at this initial meeting are the City Manager, Management and Budget Director and staff, Human Resources Director, Finance Director, and Departmental Budget Coordinators. The City Manager briefs the participants on policy directives and general budgeting guidelines. The Management and Budget Director then leads a discussion on the technical and procedural aspects of preparing the budget.

**Performance Measures**

The budget incorporates performance measures into the development of the budget and into the document itself. Budget Coordinators set target objectives that are tied to action plans for improvement. A select group of the performance measures used in the budget development process are featured in the Budget Document.

**Preliminary Submittals**

Several items are due prior to Budget Submittal. These preliminary submittals are: Betterments and Improvements Requests (due to Administrative Services), Reclassification and/or Reorganization Requests (due to Human Resources), and the Preliminary Program Change Proposals (due to Management and Budget).

**Budget Checkpoint Meeting**

The City Manager, Executive Leadership Team (ELT), Management and Budget Staff, and Budget Coordinators participate in a Budget Checkpoint Meeting in late October. The purpose of the meeting is to provide an opportunity for departments to explore Preliminary Program Change Proposals prior to budget submittal. In this way, departments receive clear direction as to whether a particular Program Change Proposal should be further pursued. Departments submit a Preliminary Program Change Proposal Form for each new item no less than 10 days in advance of the Checkpoint Meeting.

**City Manager Review**

Starting in early January and ending in early February, a City Manager Review is held between the City Manager, Management and Budget Staff, Department Head and the Department Budget Coordinator. Budget analysts present an overview of the department's proposed budget, performance measures, and performance targets. The aim of the City Manager Review is to finalize decisions regarding departmental budget submittals, Program Change Proposals, and other outstanding issues for each department.

**Midyear Review**

Starting in mid February with the guidance of the City Manager, the Office of Management and Budget and the Finance Department give the City Council and the citizens a midyear presentation on current year revenues and expenditures.

**Budget Document**

After all initial amendments are made, the preliminary budget is finalized and presented to the City Council by the

Office of Management and Budget in early to mid May. In June, the preliminary budget and any other suggested changes are reviewed and approved by Council during an open session with citizens. It is again at this point that citizens are given an opportunity to give input and voice their opinions.

**Accounting Basis**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Government budgets are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Governmental fund budgeting is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Property taxes, special

assessments, sales taxes, franchise taxes, licenses, charges for services, amounts due from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines and permits are considered to be measurable and available only when cash is received by the government, and are therefore not susceptible to accrual.

**Budget Transfers**

The City Manager is legally authorized to transfer budgeted amounts between divisions and accounts within the same department. Transfer of appropriations between departments or funds and increased appropriations must be authorized by the City Council. Expenditures may not legally exceed budgeted appropriations at the department level within a fund.

Financial Summaries	Budget Calendar
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Financial Summaries	Budget Calendar
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## DEVELOPMENT OF THE OPERATING BUDGET

	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Budget Policy Direction		Early July to Early Aug.											
Budget Kickoff				Mid Sept.									
Preliminary Change Proposals Due					Late Oct.								
Departments Submit Budgets						Mid Nov. to Late Dec.							
City Manager Reviews Department Budgets								Early Jan. to Early Feb.					
Midyear Council Review									Mid Feb.				
Budget Adjustments										Mid Mar. to Mid Apr.			
Council Reviews & Adopts Prelim. Budget											Mid April to Early May		
Council Reviews Final Budget												Late May	
Council Holds Public Hearings													Early June
Council Adopts Final Budget													Mid June
Citizen Survey mailed out													Late June

The City of Riverside provides a myriad of high quality, cost effective municipal services for the citizens of Riverside. The City receives a diversified revenue stream monitored by the Finance Department, which oversees all cash management services, including fiduciary control and revenue enhancement.

#### **MEANS FOR FORECASTING REVENUES**

Revenue estimates are prepared through an objective, analytical process based on year-to-date trends and three years prior data. In all instances, the City provides conservative revenue projections to prevent undue or unbalanced reliance on certain revenues, and ensure the ability to provide ongoing services. Among the factors in the forecast are the outlooks for the national, state and local economies, the Consumer Price Index, Taxable Sales, and Building Permit Valuations.

#### **MANAGED SAVINGS**

Departments are expected to be fiscally responsible with their allocated resources. The Finance Department is responsible for assuring that department expenditures stay within the budget appropriation. Historically, departments have not overspent their budgets, and the unencumbered balance is returned to the General Fund. It has been the City's experience that departments save 2-3 percent of their annual budget each year.

#### **ECONOMIC CONTINGENCY RESERVE**

To mitigate the negative fiscal impact of economic downturns or a local disaster, the City of Riverside has historically maintained an Economic Contingency Reserve of approximately 10-15 percent of the General Fund budget.

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#### **FUND GROUPS**

Revenues are budgeted in the six groups shown in the table below. These groups and their major revenue sources are briefly described in the sections that follow.

<b>All Funds Revenue Summary</b>					
	<b>Actual FY 98/99</b>	<b>Actual FY 99/00</b>	<b>Actual FY 00/01</b>	<b>Projected FY 01/02</b>	<b>Budgeted FY 02/03</b>
General Fund	\$95,635,461	\$105,529,130	\$114,034,481	\$112,259,070	\$111,676,765
Special Revenue Funds	23,855,928	20,169,635	21,019,010	18,183,100	20,067,600
Enterprise Funds	252,984,342	293,065,277	361,624,594	356,228,558	308,761,351
Debt Service Funds	37,619,323	33,862,184	24,670,346	22,759,616	23,958,453
Capital Projects Funds	23,466,582	18,035,318	20,285,317	11,817,663	8,781,917
Internal Service Funds	13,397,209	15,854,600	17,061,240	16,176,648	17,934,232
<b>Totals</b>	<b>\$446,958,845</b>	<b>\$486,516,144</b>	<b>\$558,694,988</b>	<b>\$537,424,655</b>	<b>\$491,180,318</b>

**GENERAL FUND**

The General Fund is the City's primary operating fund. It accounts for all of the financial resources of the City, except for those that are required to be accounted for in another fund. The City's principal general fund revenue sources include taxes (mainly sales, utility users, and property taxes), license and permit fees, and intergovernmental revenues. Combined, these revenues comprise approximately 86 percent of the General

Fund Revenues. General Fund revenues budgeted for FY 2002/03 total \$111,676,765, a less than 1 percent decrease from the prior year. The difference is mainly due to conservative revenue estimates and a projected slow down in building activity in the City. Below is a summary of the last three years of revenues in this fund. Following that are descriptions of selected revenues.

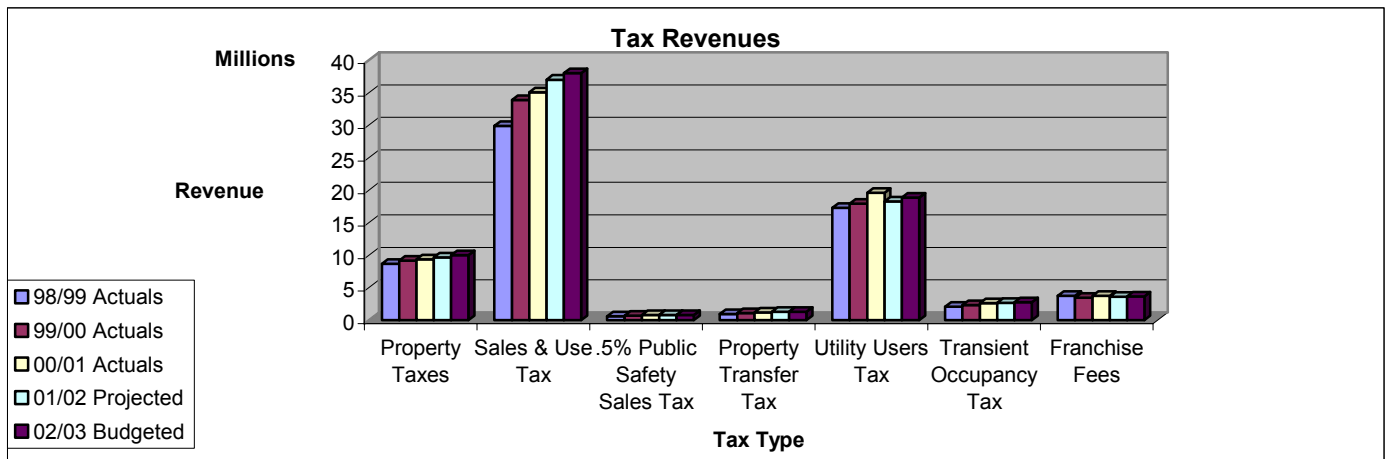
<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Taxes	72,177,035	73,344,000	75,450,000
Licenses & Permits	6,871,147	5,970,015	5,598,665
Intergovernmental Revenues	16,302,257	15,546,000	15,177,000
Charges for Services	7,916,556	7,366,855	6,232,900
Fines & Forfeits	2,152,371	1,855,000	1,310,000
Special Assessments	3,579,382	3,510,000	3,530,000
Miscellaneous Revenues	4,970,629	4,604,200	4,343,200
Other Financing Sources	65,104	62,000	35,000
<b>Total</b>	<b>114,034,481</b>	<b>112,259,070</b>	<b>111,676,765</b>

**Descriptions of Principal Revenue Sources**

**Property taxes** are levied at the statewide general property tax rate of 1 percent of assessed value, as established in 1978 by Proposition 13. The County of Riverside administers the property tax system, and the City of Riverside receives approximately 11 percent of the amount generated by property taxes levied within the city limits. The balance of the property tax revenues is allocated between the

schools, Riverside County, and the City of Riverside Redevelopment Agency.

Property tax revenues increased by 2 percent in FY 2000/01, are projected to increase by 3 percent in FY 2001/02 and are budgeted to increase by 4 percent in FY 2002/03. This growth is consistent with assessed valuations, after certain adjustments.



**Sales and Use Taxes** are imposed on retail transactions and are collected and administered by the California State Board of Equalization. The current rate in Riverside County is 7.75 percent, of which 1 percent is local sales tax allocated monthly by the State to the City of Riverside. Sales taxes are allocated based on point-of-sale whereas use taxes are allocated from county and statewide pools proportionally based on taxable sales. The total sales tax rate includes 0.5 percent for transportation projects and programs (Measure A).

Sales and use taxes have increased each year over the past 10 years. The annual increase varies with the overall economy, however, they increased by 3.5 percent in FY 200/01 and have averaged 8.5 percent over the past 3 years. They are budgeted to increase 3 percent in FY 2002/03.

A state wide **.5 percent sales tax for Local Public Safety Augmentation** was established in 1993 by Proposition 172. The County of Riverside allocates these funds to cities on a monthly basis based on their proportionate share of property tax losses due to the State's Educational Revenue Augmentation Fund (ERAF) shifts of the early 1990s.

The Public Safety Sales Tax increased by 14 percent in FY 2000/01. However, it is not projected to increase in FY 2001/02 and thus has not been budgeted to increase in FY 2002/03.

**Property Transfer Tax** is imposed on the transfer of real property at the rate of \$ 0.55 per \$500 of the sale value.

The Property Transfer Tax increased by 12 percent in FY 2000/01 and is projected to increase by 7 percent in FY 2001/02. However, no increase has been budgeted

for FY 2002/03 due to the downward trend experienced during the past year.

A **Utility Users Tax** is imposed on telephone, electricity, gas, water, and cable television services within the city limits, at a rate of 6.5 percent of taxable services.

The Utility Users Tax (UUT) increased by 4 percent in FY 2000/01. However, it is projected to decrease by 6 percent in FY 2001/02 as a result of a decrease in UUT associated with natural gas. The decrease was a result of lower natural gas prices. UUT, in total, is budgeted to increase only slightly in FY 2002/03.

**Transient Occupancy Tax (TOT)** is imposed on lodging facilities such as hotels and motels. The City's current tax rate is 11 percent of the hotel/motel rate.

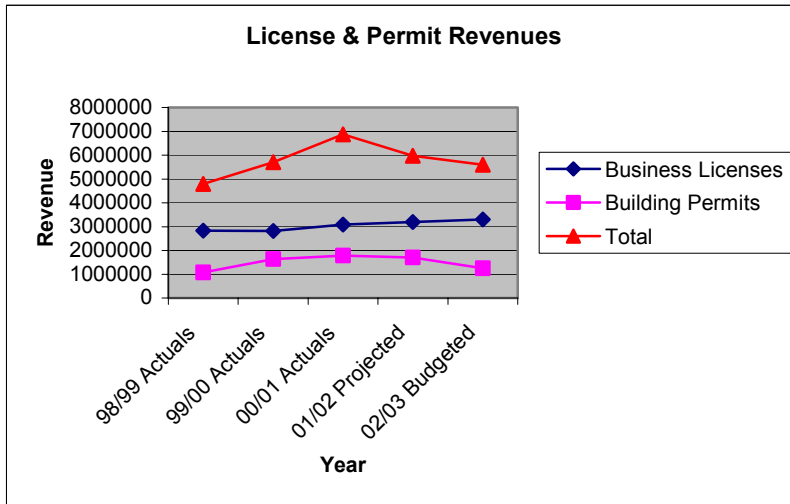
The TOT increased by 13 percent in FY 2000/01. It is projected to increase by 3 percent in FY 2001/02 and by 4 percent in FY 2002/03. The slowed rate of increase is due to the anticipated impacts of a slowing national economy.

**Franchise Fees** are levied by the City on various service providers, including gas and electric utilities, refuse services, and cable television services. Fees range from 2 percent of gross receipts for natural gas, 5 percent for cable, to 15 percent for refuse services.

Franchise fees increased 8 percent in FY 2000/01, but are projected to decrease by 4 percent in FY 2001/02. This is a result of reduced natural gas prices. We have budgeted a 1 percent increase for FY 2002/03.

Taxes comprise approximately 68 percent of the General Fund revenues.



Licenses and Permits

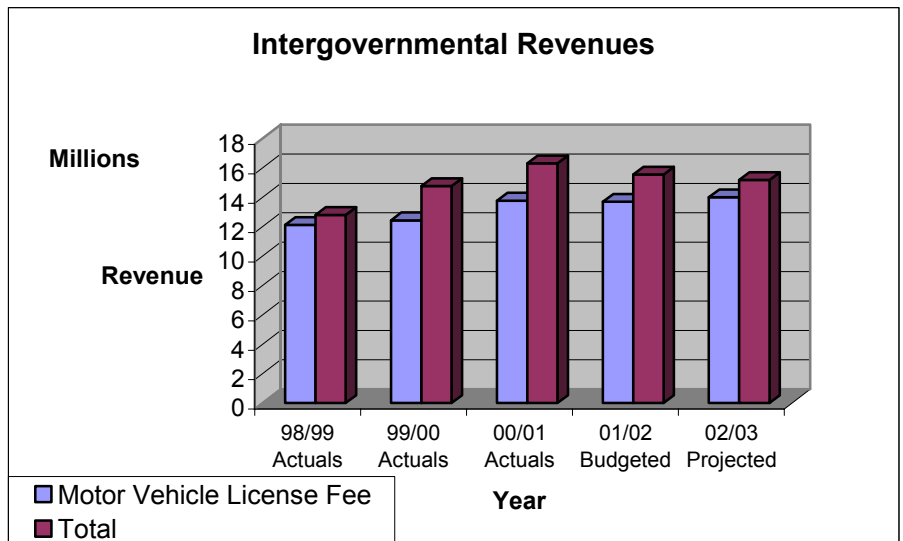
**Business License** taxes are levied annually by the City on all establishments conducting business within the city limits. Tax amounts are based on gross sales, and, depending on the type of business, number of employees.

In addition to Business Licenses, the City of Riverside provides a variety of permits, including **Building Permits**. Licenses and permits comprise approximately 5 percent of the General Fund revenues.

Intergovernmental Revenues

**Motor Vehicle License Tax** is levied by the state "in lieu" of property taxes. This license fee is based annually on vehicle market value.

Intergovernmental Revenues comprise approximately 14 percent of the General Fund revenues.



**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. Included in this category are the Library Fund, Special Gas Tax Fund, Air Quality Improvement Fund, Citrus Grove Management Fund, Housing and Community Development Fund, Redevelopment Agency Fund, Special Designation Fund, and National Pollution Discharge Elimination System

(NPDES) Fund. The main revenue sources for these types of funds are Intergovernmental Revenues, Taxes and Miscellaneous Revenues.

The Special Revenue Funds total \$20,067,600 for FY 2002/03, a 10 percent increase over the prior year. Below is a summary of the last three years of revenues in this fund area.

<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Taxes	\$4,992,088	\$5,189,500	\$5,371,000
Intergovernmental Revenues	13,484,118	11,806,500	12,449,000
Charges for Services	7,356	7,800	8,200
Fines & Forfeits	177,032	171,000	175,000
Miscellaneous Revenues	1,964,997	538,300	1,664,400
Special Assessments	393,419	470,000	400,000
<b>Total</b>	<b>\$21,019,010</b>	<b>\$18,183,100</b>	<b>\$20,067,600</b>

**ENTERPRISE FUNDS**

Enterprise Funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The City's intent is that the cost of services provided to the general public on a continuing basis is financed or recovered primarily through user charges; or the city has decided that the periodic determination of net income is appropriate for accountability purposes. Included in this category are the Electric Fund, Electric – Public Benefits Surcharge

Fund, Water Fund, Airport Fund, Refuse Fund, Transportation Fund, and in FY 2002/03, the Parking Fund.

Enterprise Fund revenues for FY 2002/03 total \$308,761,351, a 13 percent decrease from the prior year. This is mainly due to the revenue bond proceeds in FY 2001/02. Below is a summary of the last three years of revenues in this fund area.

<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Charges for Services	\$323,315,509	\$277,532,600	\$258,841,000
Miscellaneous Revenues	29,386,126	23,282,000	27,310,000
Other Financing Sources	7,534,049	53,669,958	19,045,000
Taxes	29,933	28,000	25,000
Intergovernmental Revenue	1,358,977	1,716,000	1,631,791
Licenses and Permits	0	0	1,358,560
Fines and Forfeits	0	0	550,000
<b>Total</b>	<b>\$361,624,594</b>	<b>\$356,228,558</b>	<b>\$308,761,351</b>

## Financial Summaries

## Revenues

### DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of long-term debt obligations for the City and related entities. Included in this category are the Debt Service Fund, Riverside Civic Center Authority Lease Revenue Bond Fund, the Riverside

Municipal Improvements Corporation, and land secured special financing districts.

Debt Service Fund revenues for FY 2002/03 total \$23,958,453 a 5 percent increase from the prior year. Below is a summary of the last three years of revenues in this fund area.

<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Special Assessments	\$8,826,362	\$7,452,138	\$7,997,493
Miscellaneous Revenues	4,353,860	3,308,900	3,631,700
Taxes	10,612,401	11,120,000	11,448,000
Charges to Departments	877,723	878,578	881,260
<b>Total</b>	<b>\$24,670,346</b>	<b>\$22,759,616</b>	<b>\$23,958,453</b>

### CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. Included in this category are the Capital Outlay Fund, Special Capital Improvements Fund, Storm Drain Fund,

Transportation Fund, and the Redevelopment Agency Fund. Capital Projects Fund revenues for FY 2002/03 total \$8,781,917 a 26 percent decrease from the prior year. Below is a summary of the last three years of revenues in this fund area.

<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Charges for Services	\$4,898,069	\$2,010,000	\$900,000
Miscellaneous Revenue	4,842,892	1,519,303	998,317
Intergovernmental Revenues	8,052,635	6,500,000	6,600,000
Impact Fees	1,052,106	400,000	250,000
Licenses & Permits	1,439,615	1,388,360	33,600
<b>Total</b>	<b>\$20,285,017</b>	<b>\$11,817,663</b>	<b>\$8,781,917</b>

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services by one City department to other City departments on a cost-reimbursement basis. Included in this category are the Workers' Compensation Fund, Unemployment Compensation Fund, Public Liability Fund, Central Stores

Fund, Central Services Fund, and Central Garage Fund.

Internal Service Fund revenues for FY 2002/03 total \$17,934,232, a 10 percent increase from the prior year. Below is a summary of the last three years of revenues in this fund area.

<b>Revenue</b>	<i>Actual 00/01</i>	<i>Projected 01/02</i>	<i>Budgeted 02/03</i>
Miscellaneous Revenue	\$1,645,549	\$898,000	\$1,020,000
Charges to Departments	8,676,749	8,463,648	9,920,732
Charges for Services	6,738,942	6,815,000	6,993,500
<b>Total</b>	<b>\$17,061,240</b>	<b>\$16,176,648</b>	<b>\$17,934,232</b>

## Financial Summaries

## Annual Appropriations Limit

Article XIII B of the California Constitution was added by the November 1979 passage of the Gann Initiative. For State and local governments, this legislation mandated that the total annual appropriations subject to the limitation, shall not exceed the prior year Appropriation Limit, adjusted for the change in cost of living and population, except as otherwise provided in that article. The Gann Initiative is implemented by Section 7900 et. seq. of the California Government Code. Section 7910 provides that the governing body of each jurisdiction shall annually establish its Appropriations Limit by resolution.

The Appropriations Limit is calculated by determining appropriations financed by proceeds of taxes in the 1978/79 base year and adjusting the limit each subsequent year for changes in the cost of living and population. This Appropriation Limit is the maximum limit of proceeds from taxes the City may collect or spend each year. Our budgeted appropriations are limited to actual revenues if they are lower than the limit. The Appropriations Limit may be amended at any time during the fiscal year to reflect new data.

The cost of living adjustment may be based upon the changes in the California per capita personal income or the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction. The population adjustment may be based on the changes in the City population or population growth within the County. The FY 2000/01 calculation, used for the FY 2001/02 calculation, uses the change in California per capita income and the change in the City's population.

Based on the current calculation, the City of Riverside's annual Appropriations Limit is \$171,037,190 for FY 2001/02. Actual proceeds from taxes available for appropriations as estimated in the FY 2001/02 budget are \$121,450,641, which is \$49,586,549 or 29.0 percent less than our limit. The appropriation limit in excess of tax proceeds has increased an average of 14.5 percent over the past four fiscal years, outpacing tax proceeds increases of 5.7 percent over the same period. Therefore, the Appropriations Limit has no implication in the City's budgeting, nor will it in the foreseeable future.

	1997/98	1998/99	1999/00	2000/01	2001/02
Tax Proceeds	\$97,338,483	\$101,205,709	\$106,680,167	\$110,311,624	\$121,450,641
Appropriations Limit	\$126,333,422	\$136,552,712	\$144,704,596	\$155,079,721	\$171,037,190
Appr. Limit in Excess of Tax Proceeds	\$28,994,939	\$35,347,003	\$38,024,429	\$44,768,097	\$49,586,549